Virgin Atlantic Airways Limited and subsidiary companies

Directors' report and consolidated financial statements

for the year ended 31 December 2014

Registered number 1600117

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Virgin Freeway Limited

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Strategic report

Virgin Atlantic Airways ("VAA", "Airline" or "Group") is a significant UK international scheduled airline, with a focus on inter-continental routes The VAA operates principally from London, with presence at Heathrow and Gatwick, together with a smaller operation in the UK regions VAA also operates a worldwide air cargo business, largely in conjunction with its scheduled passenger services VAA provides a high quality passenger service to the key international cities served by Heathrow, together with a leisure-focussed operation from Gatwick serving destinations in the US and Caribbean

The Airline has returned a profit before tax and exceptional items of £7 0m for the year 2014 which successfully concludes the recovery phase

Result highlights

- Profit after tax and exceptional items improves by £25 7m year on year to a profit of £10 7m
- Airline revenue for the year down 1 6% (up 1 5% at constant currency)
- Airline passenger unit revenue up 0 5% (3 5% at constant currency)
- Airline operating costs before exceptional items have fallen year on year by £109 3m
- Airline operating margin improvement of 2 6pts year on year

Airline passenger revenue

Airline passenger revenue per ASK (p) improved 3 5% at constant currency[1] through continuing to offer value for money with improvements in our service and product, and exploiting the opportunities enabled by the joint venture with Delta The joint venture has seen a successful first year, with 100,000 connecting passengers resulting in a 9 9% increase in associated revenue year on year

The airline's customer loyalty programme, Flying Club, saw strong revenue performance and continues to invest in building long-term customer loyalty and engagement

Cargo revenue

The Airline offers cargo products on all of its long-haul services and on its Virgin Australia joint venture Cargo revenue has decreased 1 8% year on year (increased 3 1% at constant currency) with strong demand from UK for exports Market conditions have improved slightly since the lows experienced in 2013, and despite cessation of the Sydney route, which was disadvantageous to Cargo revenue, tonnage matched performance in 2013

Revenue	**12 months ending 31 December 2014**	12 months ending 31 December 2013 Pro forma	Variance
	£m	£m	
Passenger revenue	**2,130**	2,191	(2 8)%
Cargo revenue	**221**	225	(1 8)%
Total traffic revenue	**2,351**	2,416	(2 7)%
Other revenue	**196**	172	14 0%
Total revenue	**2,547**	2,588	(1 6)%

[1] Constant currency refers to the restatement of prior year revenue and cost at the average IATA 5 day exchange rate for the current year

Strategic report *(continued)*

Operating costs

Airline operating costs before exceptional items have fallen year on year by £109m driven by reduction in fuel cost and improved efficiency The Group empowers front-line teams to identify opportunities, to reduce the volume of fuel that the aircraft consume and this has improved fuel consumption by 3 1%

As part of the Airline's recovery, VAA undertook a detailed cost review, and during 2014 it successfully delivered £32m in cost reduction through effective procurement and improving efficiency VAA absorbed regulated cost increases in excess of inflation (especially at London Heathrow), and increased investment in customer product and services

Fuel cost

On a unit basis at constant currency, fuel reduced 3 8% VAA is active in efforts to minimise fuel consumption through purchasing fuel efficient aircraft and employing best practice to deliver improvements in fuel efficiency within our existing aircraft types

The Airline operates a hedging policy that protects the business from exposure to volatility in oil prices and FX rates The policy allows VAA to hedge within bands, up to 24 months out with declining percentages While Brent oil prices have fallen by 47% (from $108 on the 1st January to $57 on the 31st December), our prices remained materially higher and we did not benefit fully from the decline in price due to our hedging policy

Aircraft ownership costs

Aircraft ownership costs reduced 5 0% at constant currency due the reduction in the number of aircraft in our fleet and partially due to lower interest rates The majority of the Airline's aircraft are financed through operating leases

	Number of aircraft	
	31 December 2013	**31 December 2014**
A340-300	4	2
A340-600	14	13
747-400	12	12
A330-300	10	10
787-9	-	2
Total	**40**	**39**

The replacement of A340 aircraft with state-of-the-art Boeing 787-9 aircraft continues with eight arriving in 2015 reducing the average age of our aircraft from ten years to eight years making the fleet one of the youngest and most fuel efficient in the skies

Costs	**12 months ending 31 December 2014**	12 months ending 31 December 2013 Pro forma	Variance
	£m	£m	
Staff costs	**328**	333	(1 5)%
Depreciation, amortisation and impairment	**56**	67	(16 4)%
Aircraft operating lease costs	**204**	226	(9 7)%
Fuel, oil and emission costs	**857**	979	(12 5)%
Joint venture settlement costs	**52**	-	(100)%
All other costs	**1,058**	1,059	0 0%
Total costs (excluding exceptional items)	**2,555**	2,664	(4 1)%

Strategic report *(continued)*

Market overview

The UK long-haul air travel market is valued at £15bn for both leisure and business with business travellers representing 33% of market at £5bn but only 5% of travellers

The continued recovery of the UK economy has contributed to increased customer confidence, reflected in higher traveller spend on international travel Long-haul capacity growth out of Heathrow was 2 9% supported by modest UK and global GDP growth of 2 6%

UK price inflation hit a five-year low in the year to December 2014 primarily due to a steep fall in wholesale energy prices

Oil prices fell by almost half between June and December 2014 with low demand due to weak economic activity and American fracking activity creating excess supply Most airlines hedge their exposure to fuel prices and so the full impact will not be felt immediately

The transatlantic long-haul market saw the emergence of new low-cost carriers This continues a trend that is made possible by the increased capability and availability of fuel-efficient long-range aircraft

Regulatory landscape

Whist VAA saw some positive improvements in 2014, specifically in the areas of Air Passenger Duty (APD) and the charging framework at Heathrow and Gatwick airports, the overall regulatory environment in the UK and Europe remains challenging

In its Budget in March 2014, the UK Government announced that it would simplify the structure of APD charges, creating one long-haul rate instead of three different levels depending on distance between capital cities This was a good outcome for Virgin Atlantic's passengers, particularly as it removed the anomaly whereby its Caribbean passengers paid more in APD than those travelling to the West Coast of the US In its Autumn Statement in December 2014, the Government corrected another anomalous aspect of APD, when it announced its intention to remove it from children's fares Despite these positive steps, APD is still the highest passenger tax in the world, at around double the German rate Achieving an internationally competitive rate of APD remains a priority

In early 2014, the CAA announced that it would continue to regulate Gatwick and Heathrow airports, due to the significant market power they exert over the airlines (including Virgin Atlantic) which operate from them After a decade of exponential increases in Heathrow's charges, the CAA confirmed that for 2014-2018, the airport would be limited to an RPI-1 5% increase per annum Whilst Gatwick was subject to lighter touch regulation, through commercial agreements with carriers, robust price caps were still imposed

Going forwards, the publication of Sir Howard Davies' Airports' Commission recommendation on the location of new capacity in the South East of England, and the new Government's response to it, present significant regulatory uncertainty While VAA believes that a third runway at Heathrow airport is the right answer for the UK, it will continue to engage with the Government, CAA and other stakeholders on how this capacity will be delivered and paid for The Airline's customers should not be expected to pay for a runway they may never use, so the traditional "pre-funding" model cannot apply New capacity should enhance competition between airlines, correcting legacy carriers' inherited dominance rather than exacerbating it

The Airline will continue to engage with regulators and policymakers in the UK and Brussels on passenger rights regulation, including the EC261 "denied boarding and delay compensation" Regulation, and on global climate change framework for our industry which is both economically efficient and environmentally effective

Strategic report *(continued)*

Outlook

2015 is an important year for the Airline, as it continues to build on a successful 2014 The Airline expects to see continued improvement in its financial performance, coupled with a stronger balance sheet

In 2015, 70% of the airline's capacity will be deployed on transatlantic routes operated in conjunction with Delta Capacity will reduce marginally year-on-year due to the cessation of Little Red Unit revenue is expected to continue to increase at a rate above GDP due to market and capacity driven performance, maximising joint venture benefits and new sales initiatives

Lower fuel prices and fleet transformation will drive further reductions in fuel cost per ASK Non-fuel costs are expected to reduce despite inflationary pressure driven by fleet simplification, network change and efficiency savings

Having returned to profit in 2014, the Airline is now ready to deliver the Plan to Win The Plan to Win has clearly defined objectives combining customer and people dimensions to its financial performance The Airline is actively engaged in identifying better and more efficient ways of leveraging its assets while delivering its unique services to our customers

Key performance indicators

The directors have outlined below the key performance indicators that they rely on to manage the company The financial indicators are stated at constant currency and on a 12 month basis to December for comparability, all amounts shown in the tables below have been rounded to two decimal places

Safety
The safety and security of our customers is our primary concern

	2012	2013	2014	YoY
Number of incidents[2]	1	3	1	(66 7%)

Customers
Always for the customer, with flair

	2012	2013	2014	YoY
On-time performance (D15)	80 8%	85 5%	85 5%	0%

Capacity
Disciplined approach to managing our capacity

	2012	2013	2014	YoY
Aircraft	41	40	39	(7 50%)
Available Seat Kilometres (ASK) (m)	50,466	50,330	48,710	(3 22%)

Passengers
Passenger growth remains a key part of our Plan to Win

	2012	2013	2014	YoY
Revenue Passenger Kilometres (RPK) (m)	39,934	39,549	37,692	(4 70%)
Passenger load factor	78 06%	78 58%	77 38%	(1 20)pt

[2] Incidents subject to review by external bodies (e g AAIB, NTSB)

Strategic report *(continued)*

Key performance indicators *(continued)*

Financials

	2012	2013	2014	YoY
Airline Passenger Revenue per ASK (p)	3 95	4 23	4 37	3 45%
Airline Passenger Revenue per RPK (p)	4 88	5 18	5 37	3 72%
Airline Cost per ASK (p)	5 03	5 10	5 12	0 32%
Fuel uplift (USG) (m)	511	498	482	3 06%
Cargo tonnage (kg) (m)	214	225	224	(0 19%)

Profit and loss summary

	12 months ending 31 December 2014	12 months ending 31 December 2013 Pro forma
	£m	£m
Total revenue	**2,547**	2,588
Total expenditure on operations	**(2,555)**	(2,664)
Loss before exceptional items	**(8)**	(76)
Exceptional items (note 6)	**5**	35
Loss after exceptional items	**(3)**	(41)
Other non-operating items[3]	**15**	2
Profit/(loss) before taxation	**12**	(39)
Tax	**(1)**	24
Profit/(loss) after taxation	**11**	(15)

[3] Other non-operating items, include gains/(losses) arising on re-translation of foreign currency, profit/loss arising on the disposal of fixed assets and interest receivable and similar charges

Strategic report *(continued)*

Risk review

Principal risks and uncertainties

The highly regulated and commercially competitive environment, together with operational complexity, leaves the Group exposed to a number of significant risks The focus remains on mitigating these risks at all levels in the business, although many remain outside the Group's control such as government regulation, taxes, terrorism, adverse weather, pandemics and availability of funding from the financial markets

The directors believe that the risks and uncertainties described below that may have the most significant impact on the Group's long-term performance

Business and operational

Brand reputation
The strong reputation and loyalty engendered by the Virgin Atlantic brand is a core part of the value of the business Any damage to the brand caused by any single event or series of events could materially impact customer loyalty and propensity of customers to travel and so adversely affect the business

The Group regularly monitors customer satisfaction through monthly customer surveys, alongside on-going research and development of the product, in order to mitigate this risk The Group allocates substantial resources to safety, operational integrity, on-board product and new aircraft to maintain its strong brand position

Economic conditions
The Group's operations are particularly sensitive to economic conditions in the markets in which it operates A global economic slowdown may adversely affect the demand for business and leisure travel and cargo services which could result in a material adverse impact on the Group's financial performance

The Airline produces a regular revenue forecast which is reviewed by management and appropriate actions taken

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

Safety, terrorism and security incidents
The Group is impacted by the effect of terrorism on the aviation and tour operating industries; as a result the Group ensures that the safety of passengers, crew and staff is at the heart of its business Failure to respond to terrorism or security incidents may adversely impact operations and financial performance The Group adopts a holistic approach to security, with the Corporate Security team having overall responsibility for security matters linked to aviation, border security, cargo, facilities, IT, personnel and asset protection To ensure the robustness of their security regime, the airline operates a self-inspection and test programme Joint audits and inspections are also conducted with regulators Regulated compliance performance is monitored by way of a dedicated scorecard reviewed at the Safety and Security Review Board In view of the on-going terrorist targeting of civil aviation and the potential impacts of global geopolitical events, much focus is placed on threat monitoring and assessment to ensure the Group has the most current and accurate data to make informed judgements about the security of our human and physical assets

Failure of a critical IT system
The Group is dependent on IT systems for most of the principal business processes The failure of a key system through either internal or external threat may cause significant disruption to operations or result in lost revenue System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure

Key supplier risk
The Group is dependent on suppliers for some principal business processes The failure of a key supplier to deliver contractual obligations may cause significant disruption to operations A close relationship is maintained with key suppliers in order to ensure awareness of any potential supply chain disruption

Strategic report *(continued)*

Risk review *(continued)*

Financial risk management

The directors are responsible for setting financial risk management policies and objectives, and approve the parameters within which the various aspects of financial risk management are operated

The Group's Fuel and Foreign Currency Risk Management policy, which have been approved by the directors, outline the Group's approach to corporate and asset financing, interest rate risk, fuel price risk, foreign exchange risk and cash and liquidity management The directors have delegated powers for treasury risk management to the Financial Risk Committee This Committee ensures that the treasury policies and objectives approved by the directors are fully implemented

Liquidity, financing and interest rate risk

The working capital of the Group is financed by retained profit and sales in advance of carriage The major risks to liquidity are driven by business performance and cash timing differences for the Group's derivative financial instruments The former is managed by taking corrective actions in the form of amendments to fleet, network and the cost base in response to changing external factors and the latter as described in the derivative financial instruments policy

All of the Group's debt is asset related, reflecting the capital intensive nature of the airline industry and the attractiveness of aircraft as security to lenders and other financiers These factors are also reflected in the medium-term profile of the Group's loans and operating leases

The Group 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 The Group's loans and operating leases are principally denominated in US Dollars

Foreign currency risk

The Group has a significant US Dollar exposure including aviation fuel, finance and operating leases In addition the Group is exposed to a number of other currencies The Group seeks to reduce its foreign exchange exposure arising in various currencies through matching, receipts and payments in individual currencies and holds foreign currency balances to meet its future trading obligations

Where there is a predicted exposure in foreign currency holdings, the Group uses a limited range of hedging instruments as stipulated in the Group's Fuel and Foreign Currency Risk Management policy

Fuel price risk

The Group's Fuel and Foreign Currency Risk Management policy aims to provide protection against sudden and significant changes in the jet fuel price In order to provide protection the Group uses a limited range of hedging instruments, principally vanilla put and call options, collars, spreads and forwards, with approved counterparties and within approved limits

Derivative financial instruments

The Group uses derivative financial instruments selectively for foreign currency and aviation fuel price risk management purposes 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 hedging structures authorised in the Group's Fuel and Foreign Currency Risk Management policy

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 However, the timing difference between derivative maturity date and current mark-to-market value can give rise to cash margin exposure, this risk is managed through choice of instrument, appropriate counterparty agreements and, where required, cash deposits with counterparties Counterparty credit risk is controlled through mark-to-market based credit limits

Strategic report *(continued)*

Risk review *(continued)*

Compliance and regulatory

Compliance with competition, anti-bribery and corruption law

The Group is exposed to the risk of individual employee's or groups of employee's unethical behaviour by employees resulting in fines or losses to the Group The Group has comprehensive policies and training schemes in place to educate all appropriate staff

Compliance with regulatory authorities

The Group is exposed to regulation across its network, including the Civil Aviation Authority (CAA) The CAA authorises the Group to continue its activities following assessments of fitness and financial criteria, the broad framework of which is available via the CAA website (www caa co uk)

The strategic report was approved by the Board of Directors on 4 March 2015 and signed on its behalf by

Ian de Sousa
Company Secretary

Directors' report

Registered number: 01600117

The directors present their annual report and the audited financial statements for Virgin Atlantic Airways Limited and subsidiary companies for the year ended 31 December 2014 The comparative amounts are stated for the ten month period ended 31 December 2013

Directors and directors' interests

The directors who held office during the year and to date of this report were as follows

Sir Richard Branson	(President)
Peter Norris	(Chairman)
Craig Kreeger	
Shai Weiss	
Gordon McCallum	
Edward Bastian	
Glen Hauenstein	
Perry Cantarutti	
Wayne Aaron	
Ian Woods	(appointed 7 July 2014)
Timothy Livett	(resigned 7 July 2014)

Results

The results of the Group are set out on page 13 and are commented on within the Strategic Report

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 job 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

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

Environmental impacts

The Group is committed to addressing and promoting sustainable solutions for its business and the wider airline industry

Change is in the Air ("CIITA") is Virgin Atlantic Airways' sustainability programme and focuses on the Group's environmental and community investment activities The Group reports fully on these activities each year through CIITA reports which are available on its website

Sustainability is aligned with the Group's brand values, and is in the process of being embedded into the way the Group does business The Group is committed to including sustainability objectives into business plans, and regularly monitors progress against sustainability targets to ensure that commitments are being delivered

Charitable donations

Through the Virgin Atlantic Foundation ("VAF"), the Group continues supporting its charity partner Free the Children ("FTC") FTC shares the Group's objectives of supporting sustainable communities in its destinations, as well as providing young people in the UK and overseas with the skills and support needed to get involved in the social and environmental issues that matter to them In 2014, £1 4m *(prior period £1 2m)* was given by Virgin Atlantic and VAF, in time, flights, baggage allowance and cash donations The on board passenger 'Change for Children' donations totalled £0 6m *(prior period £0 6m)* and staff fundraising raised £0 2m *(prior period £0 2m)*

Directors' report *(continued)*

Dividends

The directors recommend that no ordinary interim *(prior year £nil)* or final *(prior year £nil)* dividend be paid in respect of the period ended 31 December 2014

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year *(prior period £nil)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all 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

The directors report was approved by the Board of Directors on 4 March 2015 and signed on its behalf by

Ian de Sousa
Company Secretary

Company Secretariat
The Office, Manor Royal
Crawley, West Sussex
RH10 9NU

Directors' responsibilities statement in respect of the strategic report and directors' report and the financial statements

The directors are responsible for preparing the Strategic report and 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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period

In preparing each of the Group and Parent Company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Virgin Atlantic Airways Limited

We have audited the financial statements of Virgin Atlantic Airways Limited for the year ended 31 December 2014 set out on pages 13 to 37 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Strategic report and Directors' report and consolidated financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

4 March 2015

KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom

Consolidated profit and loss account

for the year ended 31 December 2014

	Note	For the year ended 31 December 2014			For the 10 month period ended 31 December 2013
		Ordinary activities before Exceptional items	Exceptional items (note 6)	Total	Total
		£m	£m	£m	£m
Turnover	2	2,546 8	-	2,546 8	2,233 9
Cost of sales		(2,223 4)	-	(2,223 4)	(1,963 0)
Gross profit		323 4	-	323.4	270 9
Administrative expenses		(331.9)	-	(331 9)	(267 2)
Other operating income/(expense)	6	6 0	6 9	12 9	(15 3)
Operating profit/(loss)		(2 5)	6 9	4.4	(11 6)
Costs of fundamental restructuring	6	-	(7 7)	(7 7)	-
Profit/(loss) on disposal of tangible fixed assets	10	10.9	-	10.9	(0 4)
Profit on disposal of fixed asset investment	11	-	30 9	30 9	-
Interest receivable and similar income	4	1 7	-	1.7	3 6
Interest payable and similar charges	5	(3 1)	(25 5)	(28 6)	(7 7)
Profit/(loss) on ordinary activities before taxation	6	7 0	4 6	11 6	(16 1)
Tax (charge)/credit on profit/(loss) on ordinary activities	8			(0 9)	8 6
Profit/(loss) for the financial year	19			10 7	(7 5)

There are no recognised gains and losses for the current and preceding financial periods other than the profit of £10 7m (*prior year loss £7 5m*) shown above Accordingly no statement of recognised gains and losses is presented

All amounts relate to continuing operations The notes on pages 16 to 37 form part of these financial statements

Consolidated balance sheet

at 31 December 2014

	Note	As at 31 December 2014			As at 31 December 2013		
		£m	£m	£m	£m	£m	£m
Fixed assets							
Intangible assets	9			81 4			81 4
Tangible assets	10			430 9			321 9
Investments	11			0 4			7 3
				512 7			410 6
Current assets							
Stocks	12		42 9			43 6	
Debtors due within one year	13	340 9			350 5		
Debtors due after one year	13	37 2			53 1		
		378 1			403 6		
Cash at bank and in hand		285 2			292 2		
			706.2			739 4	
Creditors amounts falling due within one year	14		(985 6)			(915 9)	
Net current liabilities				(279 4)			(176 5)
Total assets less current liabilities				233 3			234 1
Creditors· amounts falling due after more than one year	15			(24 4)			(30 4)
Provisions for liabilities and charges	16			(159.7)			(165 2)
Net assets				49 2			38 5
Capital and reserves							
Called up share capital	17			4 5			4 5
Share premium account	18			5 0			5 0
Other reserves	18			25 0			25 0
Profit and loss account	18			14 7			4 0
Shareholders' funds	19			49 2			38 5

These financial statements were approved by the Board of Directors on 4 March 2015 and were signed on its behalf by

Shai Weiss
Director

The notes on pages 16 to 37 form part of these financial statements

Registered number 01600117

Company balance sheet
at 31 December 2014

	Note	As at 31 December 2014			As at 31 December 2013		
		£m	£m	£m	£m	£m	£m
Fixed assets							
Intangible assets	9			81 4			81 4
Tangible assets	10			440.4			337 4
Investments	11			7.2			14 1
				529 0			432 9
Current assets							
Stocks	12		42 9			43 6	
Debtors due within one year	13	339 3			348 7		
Debtors due after one year	13	35.7			51 7		
			375 0			400 4	
Cash at bank and in hand			284 5			291 8	
			702 4			735 8	
Creditors amounts falling due within one year	14		(966 0)			(893 8)	
Net current liabilities				(263 6)			(158 0)
Total assets less current liabilities				265 4			274 9
Creditors amounts falling due after more than one year	15			(24 4)			(30 4)
Provisions for liabilities and charges	16			(186.3)			(193 4)
Net assets				54 7			51 1
Capital and reserves							
Called up share capital	17			4 5			4 5
Share premium account	18			5.0			5 0
Other reserves	18			25 0			25 0
Profit and loss account	18			20 2			16 6
Shareholders' funds	19			54.7			51 1

These financial statements were approved by the Board of Directors on 4 March 2015 and were signed on its behalf by

Shai Weiss
Director

The notes on pages 16 to 37 form part of these financial statements

Registered number 01600117

Notes

1 Principal Accounting policies

The following accounting policies have been applied consistently in dealing with matters which are considered material in relation to the consolidated financial statements

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

The Virgin Atlantic Airways Limited board having regard for the principle risks and uncertainties, as set out in the Directors' report, which could impact the business, consider that the preparation of the financial statements on a going concern basis remains appropriate and the Group will be able to meet its current obligations

The Company has taken advantage of section 408 of the Companies Act 2006 and a separate profit and loss account for the Company has not been published The result for the year attributable to the Company is disclosed in note 19

Under Financial Reporting Standard 1 (Revised), the Group is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Virgin Atlantic Limited The Group's cash flows are included within the consolidated cash flow statement of this company

Change in accounting reference date

During the prior period the directors took the decision to change the accounting reference date of Virgin Atlantic Airways Limited and each of its subsidiary companies from 28 February to 31 December The decision was taken in order to align with the new accounting reference date of the Virgin Group of companies Comparative balances are therefore for the 10 months ending 31 December 2013

Basis of consolidation

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

In line with Financial Reporting Standard 6 the directors consider it appropriate to consolidate the results of the following subsidiaries using the principles of merger accounting Virglease (2) Limited, Virglease (3) Limited, Virgin Aviation Services Limited, Virgin Freeway Limited, Speed 5024 Limited (and its former subsidiaries Public Eye Promotions Limited, Threesixty Aerospace Limited and Worldwide Travel of East Anglia Limited) and Junopart Limited Consequently these companies are reflected in the Group accounts as if they had been part of this Group from the date on which they joined and left the Virgin Travel Group Limited or Virgin Atlantic Limited groups, as appropriate

In line with Financial Reporting Standard 6 the remaining subsidiaries have been accounted for using the principles of acquisition accounting Under this method, the results of subsidiary undertakings are included in the consolidated profit and loss account from the date of acquisition

Turnover

Turnover is stated gross of commission and comprises revenue from passenger ticket sales, cargo and ancillary goods and services Revenue is recognised on the basis of flights operated in the accounting period Revenue relating to flights commencing after the accounting period, together with any commission thereon, is carried forward as deferred income Unused tickets are recognised as turnover using estimates based on the terms and conditions of the ticket and historic trends

Compensation payments

Income resulting from claims for compensation payments is recognised as income in the profit and loss account when all performance obligations are met, including when a contractual entitlement exists, it can be reliably measured (including the impact of the receipt, if any, on the underlying assets' carrying value) and it is probable that economic benefits will accrue to the Group When such claims do not relate to a compensation for loss of income or towards incremental operating costs, the amounts are recorded as a reduction in the cost of the related asset

Notes *(continued)*

1 Principal accounting policies *(continued)*

Translation of foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or, if hedged, at the forward contract rate Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate All exchange differences are included in the profit and loss account

Any gains or losses arising on the re-translation of foreign currency balances held in the short-term to meet future trading obligations are reported as part of 'Other operating (expense)/income' in the profit and loss account

Derivative financial instruments

The Group uses various derivative financial instruments to manage its exposure to foreign exchange, jet fuel price and interest rate risks Gains and losses on hedges of revenue or operating payments, including amounts received or paid on hedges closed out in advance of maturity, are recognised in the profit and loss account of the period in which the hedged transaction matures or would have matured

Pension costs

The Group participates in 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

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

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

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Intangible fixed assets

The Group had previously amortised purchased landing slots over their useful economic life which was estimated at 20 years from the date at which they came into service The directors reassessed this economic life in view of the Open Skies agreements which came into effect in 2008 and which increased and developed a more transparent market for slots and also in view of the legal rights for slots which provide that the holder has 'grandfather rights' for landing slots which continue for an indefinite period As a result of those developments purchased landing slots are considered to have an indefinite economic life and are not amortised Instead, they are subject to an annual impairment review and a provision is recognised for any identified impairment

Investments

The Company's investments in subsidiary undertakings are held at cost less any provision for impairment Current assets investments are held at the lower of cost or net realisable value

Notes *(continued)*

1 Principal accounting policies *(continued)*

EU Emissions Trading Scheme

On 24 April 2013 the EU removed the compliance requirements on international aviation for the 2012 calendar year On 3 October 2013 the International Civil Aviation Organization decided on a roadmap for a global market-based mechanism to tackle aviation emissions to be implemented by 2020 On the same date, the EU again announced its intention to remove the compliance requirement on international aviation for the 2013 calendar year and for 2014 – 2020 to limit the EU ETS to only cover the part of the international flight within EEA airspace

Emissions on intra-EU flights

Carbon allowances received free of charge are recognised as intangible assets at market value on the date of receipt Consistent with Statement of Standard Accounting Practice 4 'Accounting for Government Grants', the value of allowances received is deferred and recognised in income on a systematic basis over the period to which the grant relates The estimated gross cost of settling the liability for CO_2 emitted in the period is recognised in the profit and loss account as incurred

Emissions on international flights

Given the current global position the Directors consider there to be sufficient uncertainty surrounding the operation of the EU ETS for international flying to not recognise any net assets or liabilities under the scheme as at the balance sheet date

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Directly attributable financing costs on aircraft progress payments are capitalised as incurred until such time that the aircraft enters into service

Depreciation is calculated to write off the cost, less estimated residual value, on a straight-line basis over the useful life of the asset, or the period of the underlying finance lease if shorter

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

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

No depreciation is provided in respect of assets in the course of construction

Plant and machinery, fixtures and fittings are depreciated at the following rates

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 improvements	-	lower of useful economic life or period of lease

Notes *(continued)*

1 Principal accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value Provision is made for obsolete, slow-moving or defective items where appropriate

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

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis Where operating lease charges are variable based on prevailing interest rates, costs are recognised prospectively over the remaining term of the lease

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as 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 elements of future lease obligations are recorded as liabilities and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding

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 charged to the profit and loss account as incurred Maintenance costs for overhauls relating to aircraft and engines held under operating leases for which there is a contractual obligation are provided for by making appropriate charges to the profit and loss account Such charges are based on the lease period and engineering assessments of when maintenance is required to meet such obligations

For owned aircraft and engines, major overhaul expenditure is capitalised and depreciated by reference to the units of economic consumption, typically hours or sectors flown

Where the effect is material, the provision for maintenance costs is discounted to present value using a current pre-tax discount rate that reflects the risks specific to the liability

Development expenditure

Development expenditure, relating 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 Group's frequent flyer programme Flying Club allows customers to earn mileage credits by flying on Virgin Atlantic (and selected partner airlines) as well as through participating companies such as credit card issuers Flying Club members can redeem miles for flights on Virgin Atlantic, selected partner airlines and other partners such as hotels and car rental companies

Where the value of miles issued is significant in the context of the overall underlying transaction, the revenue associated with the miles issued at the expected redemption rate is deferred and recognised in revenue when redeemed and services are provided Where the value of miles issued is not significant in the context of the overall underlying transaction, no revenue is deferred and an onerous cost obligation is provided for on an incremental cost basis at the expected redemption rate

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

Notes *(continued)*

2 Analysis of turnover

In the opinion of the directors, there is only one core activity, that of operating international long-haul scheduled airline services from the UK Other income primarily relates to income from other airline related services

	For the year ended 31 December 2014 £m	For the 10 month period ended 31 December 2013 £m
Scheduled airline services	2,529 8	2,221 5
Other	17 0	12 4
	2,546 8	2,233 9
Scheduled airline services by source		
United Kingdom	1,518 7	1,256 9
North America and the Caribbean	488 8	448 0
Far East	160 3	163 4
Africa	115 1	113 8
Other	246 9	239 4
	2,529.8	2,221 5
Scheduled airline services by destination		
North America	1,465 3	1,260 2
Caribbean	251 3	199 0
Far East	306 0	285 8
Africa	233.8	212 0
Other	273 4	264 5
	2,529 8	2,221 5

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

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

Notes *(continued)*

3 Staff numbers and costs

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

	For the year ended 31 December 2014	For the 10 month period ended 31 December 2013
Management and administration	1,033	1,000
Flight crew	777	779
Cabin crew	3,551	3,678
Reservations and sales	1,776	1,887
Cargo and handling	221	228
Engineering, cargo and production	714	769
	8,072	8,341

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

	For the year ended 31 December 2014 £m	For the 10 month period ended 31 December 2013 £m
Wages and salaries	275 1	223 2
Social security costs	27 0	22 3
Other pension costs (note 25)	26 0	20 0
	328 1	265 5

4 Interest receivable and similar income

	For the year ended 31 December 2014 £m	For the 10 month period ended 31 December 2013 £m
Interest on bank deposits	1 5	1 2
Exchange gain on foreign currency borrowings less deposits	-	1 8
Finance income from fixed asset investments (note 11)	0 2	0 6
	1 7	3 6

Notes *(continued)*

5 Interest payable and similar charges

	For the year ended 31 December 2014 £m	For the 10 month period ended 31 December 2013 £m
Interest on bank loans, overdrafts and similar charges including exceptional items (note 6)	26 6	5 9
Interest payable on other loans	1 0	1 1
Interest payable to group undertakings	0 6	1 1
Exchange loss on foreign currency borrowings less deposits	0 9	-
Finance charges in respect of finance leases and hire purchase contracts	0 3	0 4
Unwinding of discount on provisions (note 16)	0 2	0 3
	29 6	8 8
Interest capitalised on aircraft progress payments (note 10)	(1 0)	(1 1)
	28 6	7 7

6 Profit/(loss) on ordinary activities before taxation

	For the year ended 31 December 2014 £m	For the 10 month period ended 31 December 2013 £m
Profit/loss on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets (note 10)	56 2	55 0
Rentals under operating leases		
Aircraft and related equipment	204.1	190 5
Plant and machinery	11.3	11 7
Land and buildings	22.2	19 8
(Profit)/loss on disposal of fixed assets (note 10)	(10 9)	0 4
Other operating (income)/expense (see below)	(6 0)	15 3
Exceptional items (see below)		
Other operating income	(6 9)	-
Restructuring costs	7.7	-
Disposal of fixed asset investment (note 11)	(30 9)	-
Interest payable and similar charges (note 5)	25.5	-

Fees payable to the Group's auditor and its associates for services other than the statutory audit of the Parent Company and subsidiaries are not disclosed in Virgin Atlantic Airways Limited's accounts since the consolidated accounts of Virgin Atlantic Airways Limited's parent, Virgin Atlantic Limited, are required to disclose non-audit fees on a consolidated basis Fees payable to the Company's auditor for the audit of the Company's annual accounts are £0 2m *(prior period £0 2m)* Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation are £nil *(prior period £nil)*

Other operating (income)/expense is the (gain)/loss arising on re-translation of foreign currency denominated balances held in the short-term to meet future foreign currency denominated trading obligations In the current year, other operating income also includes a £6 9m credit *(prior period £nil)* in relation to the successful settlement of a legal claim that the Group had pursued in relation to a supplier

Notes *(continued)*

6 Profit/(loss) on ordinary activities before taxation *(continued)*

In March 2014, the Group disposed the majority of its shares within the Airline Group Limited, recognising a profit on sale of £30 9m As the investment was held under the historic cost convention the profit on disposal has been recognised as exceptional, see note 11 for further details

Restructuring costs of £7 7m *(prior period £nil)* have been recognised in relation to the Group's strategy to restructure the route network Costs incurred include both employee restructuring costs as well as incremental costs incurred to facilitate route realignment

Interest payable and similar charges includes an amount of £25 5m *(prior period £nil)* incurred to settle historic interest rate swaps where the hedging relationship was no longer effective in relation to the underlying hedged item

7 Emoluments of directors

During the year/period of their service, the emoluments of the directors of the Company were

	For the year ended 31 December 2014 £m	For the 10 month period ended 31 December 2013 £m
Aggregate emoluments	1 3	0 8
Company contributions to money purchase pension schemes	0.1	0 1
Aggregate amounts receivable under Long Term Incentive Schemes	1.1	2 1
	2.5	3 0

Retirement benefits are accruing to 2 *(prior year -)* directors under money purchase pension schemes

During the year an amount of £0 5m *(prior period £1 1m)* was receivable by a former director of the Company in relation to Long Term Incentive Schemes

The amounts receivable during the prior period by directors of the Company under Long Term Incentive ("LTIP") Schemes arise solely as a consequence of the successful acquisition during the period by Delta Air Lines, Inc of 49% of the Company's share capital from Singapore Airlines Limited The cost of these payments arising under the LTIP scheme has been borne by the immediate holding company, Virgin Atlantic Limited This scheme was terminated during 2014 and a new LTIP scheme has been created for 2015

The aggregate compensation for loss of office paid in the year, not included in the above table, was £0 3m *(prior period £1 3m)*

No directors have share options and therefore none were exercised in the year

	For the year ended 31 December 2014 £m	For 10 month period ended 31 December 2013 £m
Highest paid director		
Aggregate emoluments and other benefits	0 6	0 1
Company contributions to money purchase pension schemes	0 1	-
Aggregate amounts receivable under Long Term Incentive Schemes	0 8	1 1
	1.5	1 2

Notes *(continued)*

8 Tax on profit/(loss) on ordinary activities

Analysis of charge/(credit) in period	**For the year ended 31 December 2014 £m**	For the period ended 31 December 2013 £m
Current tax		
UK corporation tax	4 6	3 1
UK group relief receivable	(1 2)	(3 9)
Adjustments in respect of prior periods	0 5	(0 2)
Non – UK current tax	0 1	-
Total current tax charge/(credit)	4 0	(1 0)
Deferred tax		
Origination and reversal of timing differences	(2.8)	(1 6)
Adjustments in respect of prior years	(0 3)	(0 8)
Effect of decrease in tax rate	-	(5 2)
Total deferred tax credit	(3 1)	(7 6)
Tax charge/(credit) on loss ordinary activities	0 9	(8 6)

The standard rate of UK corporation tax for the period is 21 5% (*prior period* 23%) The total tax charge of 7 8% for the period is lower than the standard rate of corporation tax This is driven by the gain on the disposal of shares within the Airline Group Limited being permanently non-taxable, due to the exemptions available

The actual current tax charge for the period differs from that computed by applying the standard tax rate to the profit on ordinary activities before tax as reconciled below

	For the year ended 31 December 2014 £m	For the period ended 31 December 2013 £m
Profit/(loss) on ordinary activities before taxation	11 6	(16 1)
Tax at the standard rate at 21 5% *(prior year 23%)*	2 5	(3 7)
Factors affecting the credit for the period / year		
Income not subject to corporation tax	(9.1)	(0 1)
Depreciation for the year in excess of capital allowances	7 4	9 9
Adjustments in respect of prior periods	0 5	(0 2)
Utilisation of UK tax losses brought forward	(2 0)	(5 6)
Other timing differences	(2 3)	(2 5)
Foreign tax	0 1	-
Expenses not deductible for tax purposes	4.6	1 2
Rollover relief	2 3	-
Total current tax	4.0	(1 0)

Notes *(continued)*

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

The 2013 Budget delivered on 20 March 2013 announced that the UK corporation tax rate would reduce to 20% by 1 April 2015 The reduction in the rate from 23% (effective from 1 April 2013) to 21% (effective from 1 April 2014 and then from 21% (effective from 1 April 2014) to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013

The deferred tax liability at 31 December 2014 has been calculated based on the lower rate of 20% substantively enacted at the balance sheet date

9 Intangible assets

Group and Company	Landing slots £m	Carbon allowances £m	Total £m
Cost			
At 1 January 2014	91 1	1 0	92 1
Additions	-	-	-
Disposals	-	-	-
At 31 December 2014	**91 1**	**1 0**	**92 1**
Amortisation			
At 1 January 2014	10 7	-	10 7
Disposals	-	-	-
At 31 December 2014	**10 7**	**-**	**10 7**
Net book value			
At 31 December 2014	**80 4**	**1 0**	**81 4**
At 31 December 2013	80 4	1 0	81 4

Refer to note 1 for the accounting policies relating to landing slots and carbon allowances

The directors have conducted an impairment review at 31 December 2014 and based on this review no impairment needs to be recognised

Notes *(continued)*

10 Tangible fixed assets

Group	Land and buildings	Assets in the course of construction	Aircraft, rotable spares and ancillary equipment	Modifications to aircraft on operating leases	Plant and machinery, fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2014	30 0	23 4	414 3	221 1	206 0	894 8
Additions	-	29 7	189 8	0 4	11 7	231 6
Disposals	-	(1 6)	(140 9)	(7 7)	(1 3)	(151 5)
Reclassifications	-	(20 5)	(1 4)	0 8	21 1	-
At 31 December 2014	**30 0**	**31 0**	**461.8**	**214 6**	**237 5**	**974 9**
Depreciation						
At 1 January 2014	4 0	-	268 0	150 2	150 7	572 9
Charge for the year	0 5	-	24 8	12 3	18 6	56 2
Disposals	-	-	(76 1)	(7 7)	(1 3)	(85 1)
At 31 December 2014	**4 5**	**-**	**216 7**	**154 8**	**168 0**	**544 0**
Net book value						
At 31 December 2014	**25 5**	**31 0**	**245 1**	**59 8**	**69 5**	**430 9**
At 31 December 2013	26 0	23 4	146 3	70 9	55 3	321 9

Included in aircraft, rotable spares and ancillary equipment are progress payments of £64 8m (*prior year £24 6m*)

In October 2014, the Group purchased and immediately entered into a sale and operating lease back of its first Boeing 787 aircraft In December 2014, the Group took delivery of another Boeing 787 aircraft In September 2014, the Group disposed of an Airbus A346 aircraft, no impairments arose on the sale of the aircraft The total profit on the disposal of aircraft was £10 9m

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company	Land and buildings	Assets in the course of construction	Aircraft, rotable spares and ancillary equipment	Modifications to aircraft on operating leases	Plant and machinery, fixtures and fittings	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2014	30 0	26 2	416 6	224 8	206 2	903 8
Additions	-	29 7	189 8	0 4	11 7	231 6
Disposals	-	(1 6)	(151 6)	(7 7)	(1 3)	(162 2)
Reclassifications	-	(22 7)	(1 4)	3 1	21 0	-
At 31 December 2014	**30 0**	**31 6**	**453.4**	**220.6**	**237 6**	**973 2**
Depreciation						
At 1 January 2014	4 0	-	260 2	150 9	151 3	566 4
Charge for the year	0 5	-	25 2	13 0	18 5	57 2
Disposals	-	-	(81 8)	(7 7)	(1 3)	(90 8)
At 31 December 2014	**4 5**	**-**	**203 6**	**156 2**	**168 5**	**532 8**
Net book value						
At 31 December 2014	**25 5**	**31.6**	**249.8**	**64 4**	**69 1**	**440 4**
At 31 December 2013	26 0	26 2	156 4	73 9	54 9	337 4

Included in aircraft, rotable spares and ancillary equipment are progress payments of £64 8m (*prior year £24 6m*)

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

	Group		Company	
	As at December 2014	As at December 2013	As at December 2014	As at December 2013
	£m	£m	£m	£m
Net book value				
Rotable spares and ancillary equipment	**28 2**	33 6	**38 5**	45 0
Depreciation charged for the year				
Rotable spares and ancillary equipment	**5 4**	5 1	**6.5**	5 9

During the year, the Group did not enter into any new finance lease or hire purchase contract arrangements in respect of tangible fixed assets (*prior year £nil*) The net book value of assets held under finance leases includes maintenance events and modifications to the asset which have been incurred in periods following the lease inception Finance leases are shown notes 15 and 16

Interest capitalised by the Group and Company on aircraft progress payments included in additions during the year amounted to £1 0m *(prior year £1 1m)* The cumulative amount of interest capitalised in the total cost above for the Group and Company amounts to £2 3m *(prior year £1 3m)*

Notes *(continued)*

11 Fixed asset investments

	Group		Company	
	Investments £m	Investments £m	Shares in subsidiary undertakings £m	Total £m
Cost				
At 1 January 2014	7 3	7 3	10 9	18 2
Additions	0 2	0 2	-	0 2
Repayment of unsecured loan notes	(0 7)	(0 7)	-	(0 7)
Disposals	(6 4)	(6 4)	-	(6 4)
At 31 December 2014	**0 4**	**0 4**	**10 9**	**11 3**
Provision for permanent diminution in value				
At 1 January 2014	-	-	(4 1)	(4 1)
Provision	-	-	-	-
At 31 December 2014	**-**	**-**	**(4 1)**	**(4 1)**
Net book value				
At 31 December 2014	**0 4**	**0 4**	**6 8**	**7.2**
At 31 December 2013	7 3	7 3	6 8	14 1

Investments represent an investment in Airline Group Limited consisting of equity and unsecured loan notes In March 2014, the Group disposed of the majority shares within the Airline Group Limited for sales proceeds of £38 2m, recognising a profit on sale of £30 9m (note 6) The Group continues to hold a minority position within the revised capital structure of the Airline Group Limited

12 Stocks

Group and Company	Group		Company	
	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 31 December 2014 £m	As at 31 December 2013 £m
Aircraft consumable spares	34 4	35 4	34 4	35 4
Finished goods and goods for resale	7 1	7 5	7 1	7 5
Fuel stocks	0 1	0 2	0 1	0 2
Uniforms and other	1 3	0 5	1 3	0 5
	42 9	43 6	42 9	43 6

Notes *(continued)*

13 Debtors

Amounts falling due within one year	Group		Company	
	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 31 December 2014 £m	As at 31 December 2013 £m
Trade debtors	147.1	152 3	147 1	152 3
Amounts owed by group undertakings	37 8	26 1	38 3	35 5
Other debtors	107 1	119 7	107 0	119 7
Group relief receivable	-	9 9	-	0 9
Prepayments and accrued income	48 9	42 5	46 9	40 5
	340 9	350 5	339 3	348 7

Included within other debtors due within one year is an amount of £67 0m *(prior year £nil)* relating to margin calls on fuel and foreign exchange open derivative positions

Amounts falling due after more than one year	Group		Company	
	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 31 December 2014 £m	As at 31 December 2013 £m
Other debtors	32 5	39 1	31 0	37 7
Prepayments and accrued income	4.7	14 0	4 7	14 0
	37 2	53 1	35.7	51 7

14 Creditors: amounts falling due within one year

	Group		Company	
	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 31 December 2014 £m	As at 31 December 2013 £m
Bank loans and overdraft	1 4	2 2	1 4	0 2
Secured bank loans (note 15)	17 9	14 7	17 9	14 7
Obligations under finance leases and hire purchase contracts (note 20)	4 1	3 1	4 1	3 1
Trade creditors	81.3	44 3	81 3	44 2
Amounts owed to group undertakings	89 6	127 1	68.3	110 8
Amounts owed to other group companies	12 3	-	12 3	-
Corporation tax	4 4	3 0	4.3	3 0
Group relief payable	7 9	-	13 7	-
Other taxes and social security	11 3	11 0	11.3	11 1
Other creditors	1 7	90 3	1 7	90 3
Accruals and deferred income	753 7	620 2	749 7	616 4
	985.6	915 9	966 0	893 8

Included within other creditors due within one year is an amount of £nil *(prior year £2 8m)* relating to margin calls on fuel and foreign exchange open derivative positions Included within accrual and deferred income are forward sales of £409 6 *(prior year· £429 1)*

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group		Company	
	As at 31 December 2014 £m	As at 31 December 2013 £m	As at 31 December 2014 £m	As at 31 December 2013 £m
Secured bank loans	10 6	10 6	10 6	10 6
Obligations under finance leases and hire purchase contracts (note 20)	0 2	4 0	0 2	4 0
Accruals and deferred income	13 6	15 8	13 6	15 8
	24.4	30 4	24 4	30 4

The secured bank loans totalling £28 5m (*prior year* £25 3m) are secured by mortgages over certain aircraft assets None (*prior year* £nil) of these loans fall due for repayment after five years The interest rates charged in the year in respect of these loans are in the range from 3 00% to 3 35% above US$ LIBOR

16 Provisions for liabilities and charges

Group	Deferred tax £m	Maintenance £m	Onerous leases £m	Leasehold dilapidations £m	Legal provisions £m	Total £m
At 1 January 2014	12 8	138 5	0 9	2 4	10 6	165 2
Foreign exchange translation	-	3 7	-	-	-	3 7
Amounts provided/(released) in the year	(3 0)	29 9	-	5 5	6 6	39 0
Amounts utilised in the year	-	(40 9)	(0 5)	-	(8 5)	(49 9)
Other movements	-	1 5	-	-	-	1.5
Unwinding of discount	-	-	-	0 2	-	0 2
At 31 December 2014	9 8	132 7	0 4	8 1	8 7	159 7

Notes *(continued)*

16 Provisions for liabilities and charges (continued)

Company	Deferred tax £m	Maintenance £m	Onerous leases £m	Leasehold dilapidations £m	Legal provisions £m	Total £m
At 1 January 2014	41 0	138 5	0 9	2 4	10 6	193 4
Foreign exchange translation	-	3 7	-	-	-	3 7
Amounts provided/(released) in the year	(4 6)	29 9	-	5 5	6 6	37 4
Amounts utilised in the year	-	(40 9)	(0 5)	-	(8 5)	(49 9)
Other movements	-	1 5	-	-	-	1 5
Unwinding of discount	-	-	-	0 2	-	0 2
At 31 December 2014	**36 4**	**132 7**	**0 4**	**8.1**	**8 7**	**186 3**

The amounts provided for deferred taxation at 20% (*prior year 20%*) are as follows

	Group As at 31 December 2014 £m	As at 31 December 2013 £m	Company As at 31 December 2014 £m	As at 31 December 2013 £m
Accelerated capital allowances	29 4	36 7	50 6	58 1
Other timing differences	(1 3)	(3 5)	0.6	(0 3)
UK tax losses	(18 4)	(20 4)	(14 8)	(16 8)
	9 7	12 8	36 4	41 0

There are no significant losses in the group for which a deferred tax asset has not been recognised

Cash outflows on aircraft and engine maintenance provisions will occur when the maintenance events take place on future dates not exceeding October 2026

Legal provisions represent the estimated outstanding cost arising from the settlement of civil actions The information usually required by Financial Reporting Standard 12 for these provisions is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these cases

Notes *(continued)*

17 Share capital

	As at 31 December 2014 £	As at 31 December 2013 £
Allotted, called up and fully paid		
4,497,607 *(prior year 4,497,607)* ordinary shares of £1 each (equity)	4,497,607	4,497,607

18 Reserves

Group	Share premium account £m	Capital contribution reserve £m	Profit and loss account £m
Balance at 1 January 2014	5 0	25 0	4 0
Profit for the financial period	-	-	10 7
Balance at 31 December 2014	**5 0**	**25 0**	**14 7**

Company	Share premium account £m	Capital contribution reserve £m	Profit and loss account £m
Balance at 1 January 2014	5 0	25 0	16 6
Profit for the financial period	-	-	3 6
Balance at 31 December 2014	**5 0**	**25 0**	**20 2**

Notes *(continued)*

19 Reconciliation of movements in shareholders' funds

Group	As at 31 December 2014 £m	As at 31 December 2013 £m
Profit/(loss) for the financial year	10 7	(7 5)
Net increase/(reduction) in shareholders' funds	10 7	(7 5)
Opening shareholders' funds	38 5	46 0
Closing shareholders' funds	49 2	38 5

Company	As at 31 December 2014 £m	As at 31 December 2013 £m
Profit/(loss) for the financial year	3 6	(5 5)
Net increase/(reduction) in shareholders' funds	3 6	(5 5)
Opening shareholders' funds	51 1	56 6
Closing shareholders' funds	54 7	51 1

20 Leasing commitments

Group and Company

The capital element of the future minimum lease payments to which the Group is committed at 31 December 2014 under finance lease and hire purchase contract obligations incurred in the acquisition of aircraft, engines, spares and other equipment are as follows

	As at 31 December 2014 £m	As at 31 December 2013 £m
Amounts due within		
One year	4 1	3 1
Second to fifth year inclusive	0 2	4 0
	4 3	7 1

Rentals, net of finance charges, are included in obligations under finance leases and hire purchase contracts in notes 14 and 15 above

Notes *(continued)*

20 Leasing commitments *(continued)*

As at 31 December 2014, the Group and Company had annual commitments under non-cancellable operating leases as set out below

Group	As at 31 December 2014		As at 31 December 2013	
	Land and buildings £m	Aircraft and other £m	Land and buildings £m	Aircraft and other £m
Operating leases which expire				
Within one year	1 2	11 0	3 8	4 5
In the second to fifth year inclusive	12 4	103 2	10 7	45 7
Over five years	8 8	72 4	10 8	133 3
	22.4	186 6	25 3	183 5

Company	As at 31 December 2014		As at 31 December 2013	
	Land and buildings £m	Aircraft and other £m	Land and buildings £m	Aircraft and other £m
Operating leases which expire				
Within one year	1 2	11 0	3 8	4 5
In the second to fifth year inclusive	12 4	103 6	10 7	46 0
Over five years	8 8	72 4	10 8	133 7
	22 4	187 0	25 3	184 2

21 Commitments

Group and Company

A substantial proportion of capital expenditure, leasing commitments, fuel and other operating costs are denominated in US Dollars The notional value of foreign exchange forward purchase contracts amounting to US$693 8m outstanding at 31 December 2014 (*prior year US$1,847 0m*) have been taken out to cover part of the exposure risk Of the total forward purchase contracts, $239 9m relate to deals executed on behalf of Virgin Holidays for which VAA hold corresponding deals with Virgin Holidays, and US$453 9m relate to external deals which VAA have executed on its own account In addition, the Group has entered into a number of other derivative financial instruments the maximum potential commitment of which at 31 December 2014 is US$331 8m (*prior year US$317 5m*)

The fair value at 31 December 2014 of all the derivative contracts held by the Group to meet future obligations in respect of foreign exchange and fuel hedging is a negative fair value of £214 5m (*prior year negative fair value £13 1m*) This is comprised of a negative fair value of £229 4m (*prior year positive fair value £31 8m*) in respect of fuel hedging derivatives and a positive fair value of £14 9m (*prior year negative fair value £26 2m*) in respect of foreign currency derivatives Note that all fair values stated exclude margin calls already made to counterparties (see note 13)

Certain foreign exchange forward purchase contracts are entered into by Virgin Atlantic Airways Limited on behalf of Virgin Holidays Limited The fair value of these foreign exchange forward purchase contracts at 31 December 2014 is a positive fair value of £5 9m *(prior year negative fair value of £7 3m)* These fair values have been reflected in the disclosures shown above

The timing difference between derivative maturity date and current mark-to-market value can give rise to cash margin exposure, this risk is managed through choice of instrument, appropriate counterparty agreements and, where required, cash deposits with counterparties (notes 13 and 14)

Notes *(continued)*

22 Capital commitments

Group and Company	As at 31 December 2014 £m	As at 31 December 2013 £m
Capital commitments at the balance sheet date for which no provision has been made	2,246 4	2,273 6

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

23 Subsidiary undertakings

The subsidiaries of the Company as at 31 December 2014 were

Subsidiaries	Country of incorporation or registration	% Ordinary issued shares	Principal activity
Virgair Limited	England and Wales	100	Non-trading
VA Cargo Limited	England and Wales	100	Cargo management
Virgin Airways Limited	England and Wales	100	Non-trading
Greenart Limited	England and Wales	100	Dormant
Virgin Atlantic Engineering Limited	England and Wales	100	Dormant
Virgin Atlantic Consol Limited	England and Wales	100	Dormant
Virglease Limited	England and Wales	100	Leasing of aircraft
Virglease (2) Limited	England and Wales	100	Dormant
Virglease (3) Limited	England and Wales	100	Leasing of aircraft
Fordbar Services Limited	England and Wales	100	Dormant
Voyager Nominees Limited	England and Wales	100	Dormant
Public Eye Promotions Limited	England and Wales	100	Dormant
Virgin Aviation Services Limited	England and Wales	100	Dormant
Virgin Freeway Limited	England and Wales	100	Dormant
Speed 5024 Limited	England and Wales	100	Dormant
Campden Securities Limited	England and Wales	100	Investment company
Fit Leasing Limited	Jersey	100	Leasing of aircraft
Bug Leasing Limited	Jersey	100	Leasing of aircraft
Threesixty Aerospace Limited	England and Wales	100	Non-trading
Worldwide Travel of East Anglia Limited	England and Wales	100	Travel agent
Junopart Limited	England and Wales	100	Leasing property

The proportion of voting rights held by the Group in each of its subsidiaries is the same as the proportion of ordinary shares held

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

Campden Securities Limited, Junopart Limited, Virgin Airways Limited, Speed 5024 Limited and Threesixty Aerospace Limited, whose results are included in these consolidated financial statements, have taken advantage of the audit exemption under section 479A of the Companies Act 2006 for their financial statements

The directors of Fordbar Services Limited, Greenart Limited, Public Eye Promotions Limited, Virgin Atlantic Consol Limited, Virgin Atlantic Engineering Limited, Virgin Aviation Services Limited, Virgin Freeway Limited, Virglease (2) Limited and Voyager Nominees Limited, whose results are included in these consolidated financial statements, have taken advantage of the exemption to prepare and file financial statements under sections 394A and 448A of the Companies Act 2006

Notes *(continued)*

24 Contingent liabilities

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

The Company is a guarantor under certain financing arrangements of other group companies
The Company is a guarantor of the liabilities at their balance sheet date of the subsidiaries which have taken the audit exemption under section 479A of the Companies Act 2006, and the exemption for preparing and filing financial statements under sections 394A and 448A of the Companies Act 2006 (see note 23)

25 Pension schemes

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 31 December 2014 (*prior year £nil*)

26 Related party transactions

As at 31 December 2014, the Company's ultimate parent company was Virgin Group Holdings Limited, whose principal shareholders are Sir Richard Branson and 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 his immediate family 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 Financial Reporting Standard 8

The Company, being a wholly owned subsidiary undertaking of Virgin Atlantic Limited, has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions with entities which form part of the group or investees of the group qualifying as related entities

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

Year ended 31 December 2014	**Revenue £m**	**Purchases £m**	**Balances due to the Group £m**	**Balances due from the Group £m**
Companies related by virtue of common control ownership				
Bluebottle Investments (UK) Limited	-	0 1	-	-
Necker Island BVI Limited	-	0 3	-	-
Sundog Pictures Limited	-	0 1	-	-
Velocity Rewards Limited	-	0 2	-	-
Delta Air Lines, Inc	10 2	57 6	1 1	55 7
Virgin Management Limited	0 1	-	-	0 1
VAL TM Limited	-	12 3	12 3	-

Revenue from related parties primarily relates to airline ticket sales and sales of frequent flyer miles 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

Notes *(continued)*

27 Related party transactions (continued)

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

The joint arrangement, for which we have received anti-trust immunity, provides for the sharing of revenues and costs, as well as joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint arrangement routes

On 31 December 2014 the Group owed Delta Air Lines Inc £55 7m *(prior year £nil)* with respect to the joint operation agreement Costs incurred in relation to the joint arrangement are presented within costs of sale

28 Ultimate holding company

As at 31 December 2014, the directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands

As at 31 December 2014, the largest group in which the results of the Company are consolidated is that headed by Virgin Wings Limited, a company registered in England and Wales, and the smallest group in which the results of the Company are consolidated is that headed by Virgin Atlantic Two Limited, a company registered in England and Wales

Copies of the financial statements for both Virgin Wings Limited and Virgin Atlantic Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ