

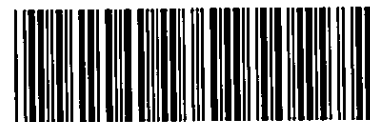
**Virgin Atlantic Airways Limited
and subsidiary companies**

**Directors' report and
consolidated financial statements**

28 February 2009

Registered number: 1600117

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President's statement

Virgin Atlantic Airways Limited's ('Virgin Atlantic') inaugural flight from Gatwick to Newark on 22 June 1984 was a momentous occasion and it makes me very proud to see the airline celebrate its 25th birthday in 2009.

Over the last 25 years Virgin Atlantic has gone from strength to strength and is now an established and respected global airline that carried 5.7 million passengers to 30 destinations worldwide in the year to February 2009 (2008: 5.7m).

Over the past year the airline has again scooped several key awards, notably Best Airline Lounge and Best Premium Economy at the important Skytrax Awards and Best Scheduled Airline to the USA at the Travel Weekly Globe Awards.

During its history, Virgin Atlantic has faced many challenges from external events such as recession, terrorism and natural disasters as well as serious competition from legacy carriers in the airline industry. We have always emerged stronger from each of these challenges and, indeed, have thrived on adversity.

The year ended 28 February 2009 has proven to be the most volatile year yet and it appears that the coming year will be every bit as challenging. During the summer, oil prices peaked at \$147 per barrel and subsequently dipped as low as \$38 per barrel. The worldwide economy has moved from a position of strong global growth at the start of the year to sharply negative growth in the autumn across Europe and the USA. In the UK, the banking-driven credit crunch that led to the collapse of the housing market, combined with a number of corporate failures, caused rising unemployment and sharply reduced consumer demand.

So, amid some of the toughest trading conditions that we have ever faced, I am delighted to confirm that Virgin Atlantic made a profit before tax of £49.8m for the year ended 28 February 2009, up from £6.0m for the year ended 29 February 2008. To increase our level of profitability against a backdrop of high oil prices and a severe recession is an excellent achievement and a tribute to the hard work and dedication of our people at Virgin Atlantic.

Virgin Atlantic remains an industry-leader on issues of sustainability and environmental change. Following the successful biofuel test flight using a 747 last year, it has since founded The Aviation Global Deal Group, which is pushing for the creation of an effective, global emissions trading scheme at the Copenhagen Summit later this year. The airline is adopting a wide range of new processes across its day-to-day operations, such as reducing waste going to landfill through onboard and airport recycling, and even turning old seat covers into handbags which are sold on the high street.

During the year, the UK government decided to approve a third runway at London Heathrow, a move we warmly welcomed. I support the approval being firmly linked to environmental conditions being met. A developed Heathrow, with less congestion and fewer planes queuing to either take off or land, will actually reduce the level of emissions per flight, especially when combined with the introduction of more fuel-efficient aircraft such as the Boeing 787 Dreamliner, which will be introduced at Virgin Atlantic from 2013.

However, the development of London Heathrow will not happen for several years and whilst I realise that the economic outlook for 2009 is far from prosperous it should not be used as an excuse to suspend normal competition rules. I urge the regulators to fully investigate the anti-competitive impact on consumers and the airline industry that a virtual merger of BA and American Airlines would have. The regulators should not provide BA and AA with special protection from the immediate challenges of the current economic cycle, which all airlines have to face.

Whilst the next 12 months will certainly present the most challenging trading conditions in my 25 years in aviation, Virgin Atlantic is well positioned with strong products, excellent customer service, a strong cash balance and a history of emerging from challenges stronger.

We expect the financial outcome for 2009/10 to be considerably weaker than the last 12 months but management are taking action to protect the business and ensure that Virgin Atlantic is able to take advantage of any market opportunities when the world emerges from recession.

Our 25th birthday in June will enable us to showcase just how much of an impact Virgin Atlantic has made, both on consumers and the wider airline industry, since it was founded in 1984.

Sir Richard Branson,
President

Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2009.

Principal activities

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

Directors and directors' interests

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

Sir Richard Branson	(President)
Stephen Murphy	(Chairman)
David Baxby	(appointed 4 December 2008)
Bey Soo Khiang	(appointed 1 June 2008)
Frances Brandon-Farrow	(resigned 4 December 2008)
Stephen Griffiths	(appointed 16 March 2009)
Huang Cheng Eng	(resigned 1 June 2008)
Sir Brian Pitman	
Mark Poole	
Stephen Ridgway	
Julie Southern	
Lyell Strambi	(resigned 31 October 2008)
Teoh Tee Hooi	

David Baxby	(alternate for Sir Richard Branson; resigned 4 December 2008)
Chan Hon Chew	(alternate for Teoh Tee Hooi)
Jonathan Peachey	(alternate for Sir Richard Branson; appointed 4 December 2008)
Paul Tan Wah Liang	(alternate for Bey Soo Khiang; appointed 1 August 2008)
Thoeng Tjhoen Onn	(alternate for Huang Cheng Eng; resigned 1 June 2008)
Thoeng Tjhoen Onn	(alternate for Bey Soo Khiang; appointed 1 June 2008 and resigned 1 August 2008)

None of the 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. No rights to subscribe for shares in or debentures of Group companies were granted to any of the directors serving at the year end or their immediate families, or exercised by them, during the financial year.

Results

The results of the Group for the year are set out on page 8 and are commented on within the President's statement and below.

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 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.

Business review

A review of operations and future developments is included within the President's statement.

The directors are pleased to be able to report an increase in turnover of 11% to £2,238.8m (2008: £2,010.9m) and an improved profit before tax of £49.8m (2008: £6.0m). This result has been achieved during a particularly difficult year for the airline industry. The decision made to slow the growth of the fleet has allowed the business to focus on its existing routes and maintaining passenger numbers under extremely challenging market conditions. To this extent, the directors are satisfied that maintaining passenger levels in line with last year (2009: 5.7m, 2008: 5.7m) represents a creditable market performance.

Directors' report (continued)

As set out in the President's statement, the current operating environment presents significant challenges to the Group in the year ahead. As the global economic crisis continues the Group is focusing on continuing to deliver a high quality, reliable and value for money service to suit the needs of its customers and the directors believe that it is well placed to weather the current downturn.

The directors continue to monitor the Company's success, or otherwise, in growing a profitable airline which people love to fly using a range of key performance indicators (KPI's). A selection of these key measures is shown below. No changes have been made to the source data or calculation methods used in the year.

	2008/9	2007/8
Group Turnover ⁽¹⁾	£2,238.8m	£2,010.9m
Return on Sales ⁽²⁾	2.2%	0.3%
Total Passengers Flown ⁽³⁾	5.7m	5.7m
Available Seat Kilometres (ASK's) ⁽⁴⁾	53.3bn	53.4bn
Customer Satisfaction ⁽⁵⁾	88%	87%
Customer Loyalty ⁽⁶⁾	91%	91%
Customer Advocacy ⁽⁷⁾	92%	92%

⁽¹⁾**Group Turnover** – refer to notes 1(c) & 2

⁽²⁾**Return on Sales** - Profit on ordinary activities before taxation as a percentage of turnover

⁽³⁾**Total Passengers Flown** - Total revenue paying passengers carried

⁽⁴⁾**Available Seat Kilometres (ASK's)** - Number of seats available multiplied by total distance flown

⁽⁵⁾**Customer Satisfaction** - Proportion of passengers rating their overall journey experience as good or excellent. Data collected from a sample of passengers throughout the year, across all routes and cabins

⁽⁶⁾**Customer Loyalty** - Proportion of passengers who would be 'very likely' or 'likely' to fly with Virgin Atlantic Airways again the next time they fly to a Virgin Atlantic Airways destination. Data collected from a sample of passengers throughout the year, across all routes and cabins

⁽⁷⁾**Customer Advocacy** - Proportion of passengers who would be 'very likely' or 'likely' to recommend Virgin Atlantic Airways to others. Data collected from a sample of passengers throughout the year, across all routes and cabins

Environmental impacts

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

Following the 2007 publication of its Environmental Policy and targets relating to fuel efficiency, energy, paper and water consumption, waste streams and the use of sustainable resources, in 2008-2009 the Group established reporting mechanisms for collecting data on performance against these environmental targets. Quarterly "Sustainability Dashboards" were circulated to the Group's senior executives, reporting on progress against key targets including fuel efficiency, energy use and waste.

Recommendations arising from the 2007-2008 energy review were implemented, an internal Energy Forum was convened which developed an "Energy Policy" and communications began to generate staff acceptance of and responsibility for the energy reduction targets.

The Group undertook thorough audits of waste streams from aircraft operations, and identified opportunities to increase recycling and design waste out of the product and service provided to passengers onboard. The Group met its target of diverting at least 50% of waste from ground operations away from landfill, by improving recycling facilities, staff engagement and reusing items where possible.

The Group continues to be an active member of several industry groups, such as the UK Sustainable Aviation Strategy, championing a collaborative approach to delivering environmental advances for the aviation sector. In 2008 the Group was a founding member of the Sustainable Aviation Fuel Users Group (SAFUG), and committed to supporting the development only of alternative fuels which (i) have a lower life-cycle carbon footprint than conventional jet fuel, (ii) do not cause deforestation or the loss of high value eco-systems, (iii) do not compete with food cultivation for land or water, and (iv) provide a social and economic benefit to the communities in which they are produced. Through SAFUG, the Group has also pushed for the technical certification of drop in biofuels for use by the wider aviation community.

Directors' report (*continued*)

In February 2009 the Group launched, with other aviation stakeholders and an environmental non-governmental organisation, the Aviation Global Deal (AGD) Group. The AGD Group is calling for aviation to be part of the post-Kyoto climate change framework and has published a communiqué setting out the principles it believes are essential for a successful approach. Through the AGD Group, the Group will seek to engage with environment and transport policymakers around the world, and consult with other industry stakeholders and environment groups, to ensure aviation can make a positive contribution to discussions in the run up to the UN convention in Copenhagen.

Principal risks and uncertainties

The Virgin Atlantic Airways Limited Group faces a range of risks and uncertainties. The directors take action to mitigate, where possible, the impact of these risks and uncertainties. However, a number of these remain outside of the control of the directors. Detailed below are those specific risks and uncertainties that could have the most significant impact on the Group's long-term performance. The risks and uncertainties described below are not intended to be exhaustive.

Brand reputation

The strong reputation and loyalty engendered by the Group's brands is a core part of the value of the business. Any damage to the brands caused by any single event or series of events could materially impact customer loyalty and the propensity of customers to travel with us and so adversely affect our business.

Global economic slowdown

The Group's operations are particularly sensitive to changes in 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.

Government intervention

The aviation and tour operating industries are highly regulated and any decisions made by government with respect to slot regulation, security requirements, government taxes and other levies may result in a material adverse impact for the Group from both an operational and financial perspective.

Security and terrorism

The safety and security of our passengers, crew and staff forms the foundation of everything we do. The history of terrorist attacks against the aviation and tour operating industries demonstrates that Virgin Atlantic's business is exposed to the results of such action even if the attacks are not directed at the Group. Any future attack, or attempted attack may adversely affect the Group in terms of disruptions to operations through loss of access to airports or aircraft, increased security costs, increased insurance costs or a reduction in customer demand. Any one of these factors may materially affect the operational and financial performance of the Group.

Financial risk management

The directors are responsible for setting financial risk management policy and objectives, and approve the parameters within which the various aspects of financial risk management are operated. Treasury and Aviation Fuel Price Exposure policies, 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. These policies also list the financial instruments and time periods authorised for use in managing financial risk.

The directors have delegated powers for treasury risk management to the Treasury 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 (see below). 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 (see below).

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.

Directors' report (continued)

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 net US dollar cost exposure. Capital, lease and a number of operational costs, most significantly aviation fuel, are denominated in US dollars. 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, as far as possible, receipts and payments in individual currencies. To this extent, where possible, the Group holds foreign currency balances in the short-term to meet its future trading obligations. The gain arising on translation of these foreign currency balances in the current year amounted to £68.0m (2008: loss of 1.9m). Where there is a predicted exposure in foreign currency holdings, the Group uses a limited range of hedging instruments as approved by the Treasury Risk Committee.

Fuel price risk

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

Derivative Financial Instruments

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

Dividends

The directors recommend that no ordinary interim (2008: £nil) or final (2008: £nil) dividend be paid in respect of the year ended 28 February 2009.

Charitable donations

The Group made charitable donations of £125,177 (2008: £nil) 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.

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

By order of the Board



Ian de Sousa
Company Secretary

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

23 April 2009

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Parent Company and Group financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company and Group and of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 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 Parent 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 Parent Company and Group and to prevent and detect fraud and other irregularities.



8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Virgin Atlantic Airways Limited

We have audited the Group and Parent Company financial statements (the "financial statements") of Virgin Atlantic Airways Limited for the year ended 28 February 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities on page 6.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Directors' report and consolidated financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the President's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 28 February 2009 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 April 2009

Consolidated profit and loss account

for the year ended 28 February 2009

	Notes	2009 £m	2008 £m As restated ¹
Turnover	2	2,238.8	2,010.9
Cost of sales		(2,004.6)	(1,689.9)
Gross profit		234.2	321.0
Administrative expenses before exceptional items		(295.8)	(292.5)
Exceptional administrative expenses	6	-	(32.5)
Total administrative expenses		(295.8)	(325.0)
Other operating income / (expense) ¹	1(d)	68.0	(1.9)
Operating profit before exceptional item		6.4	26.6
Exceptional item		-	(32.5)
Operating profit / (loss)		6.4	(5.9)
Profit / (loss) on disposal of fixed assets		15.0	(2.8)
Interest receivable and similar income	4	43.0	34.1
Interest payable and similar charges	5	(14.6)	(19.4)
Profit on ordinary activities before taxation	6	49.8	6.0
Tax on profit on ordinary activities	8	(13.8)	10.4
Profit for the financial year	18	36.0	16.4

There were no recognised gains or losses other than the profit for the year. The profit for the year arises from continuing operations.

The notes on pages 11 to 28 form part of these financial statements.

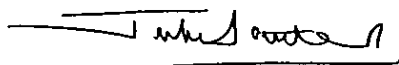
¹ The exchange gains and losses arising on re-translation of US Dollar denominated balances held in the short-term to meet future US Dollar denominated trading obligations have been presented in Other operating income / (expense) in accordance with Group policy. The comparatives have been restated to reclassify £1.9m from Interest payable and similar charges to Other operating income / (expense).

Consolidated balance sheet

at 28 February 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Intangible assets	9	38.3	38.3
Tangible assets	10	335.5	344.4
Investments	11	16.7	15.3
		<u>390.5</u>	<u>398.0</u>
Current assets			
Stocks	12	28.7	26.3
Debtors due within one year	13	636.4	263.0
Debtors due after one year	13	120.3	79.6
Cash at bank and in hand		311.7	592.9
		<u>1,097.1</u>	<u>961.8</u>
Creditors: Amounts falling due within one year	14	<u>(802.0)</u>	<u>(745.7)</u>
Net current assets		<u>295.1</u>	<u>216.1</u>
Total assets less current liabilities		<u>685.6</u>	<u>614.1</u>
Creditors: Amounts falling due after more than one year	15	<u>(106.3)</u>	<u>(108.8)</u>
Provisions for liabilities and charges	16	<u>(290.4)</u>	<u>(252.4)</u>
Net assets		<u>288.9</u>	<u>252.9</u>
Capital and reserves			
Called-up share capital	17	4.5	4.5
Share premium account	18	5.0	5.0
Capital contribution reserve	18	25.0	25.0
Profit and loss account	18	254.4	218.4
Total shareholders' funds	19	<u>288.9</u>	<u>252.9</u>

These financial statements were approved by the Board of Directors on 23 April 2009 and were signed on its behalf by:



Julie Southern
Director

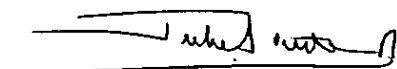
The notes on pages 11 to 28 form part of these financial statements.

Company balance sheet

at 28 February 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Intangible assets	9	38.3	38.3
Tangible assets	10	343.3	356.0
Investments	11	16.7	15.3
		<u>398.3</u>	<u>409.6</u>
Current assets			
Stocks	12	28.7	26.3
Debtors due within one year	13	659.5	272.8
Debtors due after one year	13	116.5	76.9
Cash at bank and in hand		300.6	581.9
		<u>1,105.3</u>	<u>957.9</u>
Creditors: Amounts falling due within one year	14	<u>(824.9)</u>	<u>(839.5)</u>
Net current assets		<u>280.4</u>	<u>118.4</u>
Total assets less current liabilities		<u>678.7</u>	<u>528.0</u>
Creditors: Amounts falling due after more than one year	15	<u>(106.3)</u>	<u>(108.8)</u>
Provisions for liabilities and charges	16	<u>(280.6)</u>	<u>(242.5)</u>
Net assets		<u>291.8</u>	<u>176.7</u>
Capital and reserves			
Called-up share capital	17	4.5	4.5
Share premium account	18	5.0	5.0
Capital contribution reserve	18	25.0	25.0
Profit and loss account	18	257.3	142.2
Total shareholders' funds	19	<u>291.8</u>	<u>176.7</u>

These financial statements were approved by the Board of Directors on 23 April 2009 and were signed on its behalf by:



Julie Southern
Director

The notes on pages 11 to 28 form part of these financial statements.

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.

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

The Company has taken advantage of section 230(4) of the Companies Act 1985 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 18.

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.

The exchange gains and losses arising on re-translation of US Dollar denominated balances held in the short-term to meet future US Dollar denominated trading obligations have been presented in Other operating income / (expense). The comparatives have been restated to reclassify £1.9m from Interest payable and similar charges to Other operating income / (expense).

(b) Basis of consolidation

The financial statements consolidate Virgin Atlantic Airways Limited ("the Company") and its subsidiaries (together "the Group"). The acquisition method of accounting has been adopted.

(c) 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. 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 revenue on a systematic basis.

(d) 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 income / (expense) in the profit and loss account.

(e) Derivative financial instruments

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

(f) 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.

Notes (continued)

1 Principal accounting policies (continued)

(g) Taxation including deferred tax

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.

(h) Intangible fixed assets – landing slots

The Group has 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. During the year the directors have 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 these developments the directors now consider that the purchased landing slots have an indefinite economic life and will be reviewed annually for impairment. The directors have conducted an impairment review at 28 February 2009 and are comfortable, based on market values, that no impairment adjustment need be recognised.

(i) Tangible fixed assets

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

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 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.

Notes (continued)

1 Principal accounting policies (continued)

(i) Tangible fixed assets (continued)

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

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 improvements	lower of useful economic life or period of lease

(j) Stocks

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

(k) 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.

(l) 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 element of future lease obligations are recorded 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.

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

(m) 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. 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.

(n) 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.

Notes (continued)

1 Principal accounting policies (continued)

(o) 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.

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

(p) 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 includes income from engineering services and license fee income relating to rights over use of the Virgin name and its intellectual property.

	2009 £m	2008 £m
Scheduled airline services	2,225.7	1,998.0
Other	13.1	12.9
	<hr/> 2,238.8 <hr/>	<hr/> 2,010.9 <hr/>
Scheduled airline services by source:		
United Kingdom	1,439.7	1,292.3
North America and the Caribbean	366.2	356.8
Far East	133.7	120.1
Africa	124.0	90.0
Other	162.1	138.8
	<hr/> 2,225.7 <hr/>	<hr/> 1,998.0 <hr/>
Scheduled airline services by destination:		
North America	1,157.7	1,084.4
Caribbean	239.2	199.4
Far East	286.3	269.8
Africa	274.7	224.9
Other	267.8	219.5
	<hr/> 2,225.7 <hr/>	<hr/> 1,998.0 <hr/>

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 by the Group (including directors), analysed by category, was as follows:

	2009	2008
Management and administration	725	705
Flight crew	770	751
Cabin crew	4,248	4,271
Reservations and sales	2,087	2,262
Cargo and handling	238	240
Engineering	925	914
	<hr/> 8,993	<hr/> 9,143

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

	2009 £m	2008 £m
Wages and salaries	263.7	250.0
Social security costs	25.4	24.6
Other pension costs (note 24)	18.7	17.7
	<hr/> 307.8	<hr/> 292.3

4 Interest receivable and similar income

	2009 £m	2008 £m
Interest on bank deposits and similar income	37.9	32.9
Finance income from fixed asset investments (note 11)	1.4	1.2
Exchange gain on foreign currency deposits less borrowings	3.7	-
	<hr/> 43.0	<hr/> 34.1

Notes (continued)

5 Interest payable and similar charges

	2009 £m	2008 £m As restated
Interest on bank loans, overdrafts and similar charges	7.2	0.7
Interest payable to group undertakings	7.1	10.6
Finance charges in respect of finance leases and hire purchase contracts	0.1	5.3
Exchange loss on foreign currency borrowings less deposits	-	2.6
Unwinding of discount on provisions (note 16)	0.2	0.2
	<hr/> 14.6 <hr/>	<hr/> 19.4 <hr/>

As referred to in the footnote to the Consolidated profit and loss account the comparatives have been restated to reclassify £1.9m from Exchange losses on foreign currency borrowings less deposits to Other operating income / (expense).

6 Profit on ordinary activities before taxation

	2009 £m	2008 £m
<i>Profit on ordinary activities before taxation is stated after charging / (crediting):</i>		
Amortisation of intangible fixed assets (note 1(h))	-	2.1
Depreciation of tangible fixed assets (note 10)	56.8	52.4
Administrative expenses (see below)	(3.5)	32.5
Rentals under operating leases:		
Aircraft and related equipment	198.7	208.9
Hire of plant and machinery	1.4	1.6
Land and buildings	26.1	24.1
Other operating (income) / expense (see below)	(68.0)	1.9
(Profit) / loss on disposal of fixed assets	(15.0)	2.8
	<hr/>	<hr/>

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 £173,000 (2008: £170,000). Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation are £15,000 (2008: £15,000).

The competition settlement related administrative expenses in the prior year were considered exceptional and relate to the estimated total cost arising from both the settlement of certain civil actions arising from the investigations by the competition authorities in a number of jurisdictions in which Virgin Atlantic Airways Limited operates into various aspects of pricing in the airline industry and ongoing co-operation and contact with regulatory bodies.

The civil settlements have been agreed by the courts in the USA. The court appointed independent claims administrator has assessed claims received to date and will shortly commence making appropriate refunds independently from Virgin Atlantic Airways Limited.

Other operating income / (expense) is the gain / (loss) arising on re-translation of US Dollar denominated balances held in the short-term to meet future US Dollar denominated trading obligations.

Notes (continued)

7 Emoluments of directors

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

	2009 £m	2008 £m
Aggregate emoluments	1.8	1.2
Company contributions to money purchase pension schemes	0.1	0.1
Aggregate amounts receivable under Long Term Incentive Schemes	0.1	0.1
	<u>2.0</u>	<u>1.4</u>

Retirement benefits are accruing to 3 (2008: 3) directors under money purchase pension schemes.

No directors held or exercised any share options in the year.

	2009 £m	2008 £m
Highest paid director:		
Aggregate emoluments	<u>0.7</u>	<u>0.5</u>

8 Tax on profit on ordinary activities

Analysis of charge / (credit) in period

	2009 £m	2008 £m
Current tax		
Amounts payable / (receivable) in respect of group relief	14.8	(1.9)
Adjustments in respect of prior years	-	(1.6)
Total current tax	14.8	(3.5)
Deferred tax		
Origination and reversal of timing differences	(0.2)	4.2
Adjustments in respect of prior years	(0.8)	(0.5)
Impact of change in UK tax rate	-	(10.6)
Tax charge / (credit) on profit on ordinary activities	<u>13.8</u>	<u>(10.4)</u>

Notes (continued)

8 Tax on profit on ordinary activities (continued)

The standard rate of UK corporation tax for the year is 28% (2008: 30%). The actual current tax charge / (credit) for the year differs from that computed by applying the standard tax rate to the profit on ordinary activities before tax as reconciled below:

	2009 £m	2008 £m
Profit on ordinary activities before taxation	49.8	6.0
Tax at the standard rate 28% (2008: 30%)	13.9	1.8
Factors affecting the charge for the year:		
Depreciation for the year in excess of capital allowances	1.3	(4.3)
Other timing differences	(1.1)	(0.6)
Expenses not deductible for tax purposes	0.7	2.4
Adjustments to tax charge in respect of prior years	-	(1.6)
Utilisation of tax losses brought forward	-	(1.2)
Total current tax	14.8	(3.5)

Group relief payments will be received or paid where losses are surrendered to or from other group companies.

9 Intangible assets

Group and Company

	Landing slots £m
Cost	
At 1 March 2008 and 28 February 2009	49.0
Amortisation	
At 1 March 2008 and 28 February 2009	10.7
Net book value	
At 29 February 2008 and 28 February 2009	38.3

Refer to note 1(h) for accounting policy relating to intangible assets.

Notes (continued)

10 Tangible fixed assets

Group	Freehold 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 March 2008	28.6	13.7	377.1	196.4	216.4	832.2
Additions	0.1	28.7	23.6	-	6.3	58.7
Disposals	-	(0.7)	(30.9)	(14.8)	(2.5)	(48.9)
Reclassifications	1.0	(21.0)	-	7.7	12.3	-
At 28 February 2009	29.7	20.7	369.8	189.3	232.5	842.0
Depreciation						
At 1 March 2008	1.0	-	197.9	128.9	160.0	487.8
Charge for the year	0.5	-	15.0	22.4	18.9	56.8
Disposals	-	-	(21.8)	(14.8)	(1.5)	(38.1)
At 28 February 2009	1.5	-	191.1	136.5	177.4	506.5
Net book value						
At 28 February 2009	28.2	20.7	178.7	52.8	55.1	335.5
At 29 February 2008	27.6	13.7	179.2	67.5	56.4	344.4

Included in aircraft, rotatable spares and ancillary equipment are progress payments of £18.5m (2008: £19.9m).

Notes (continued)

10 Tangible fixed assets (continued)

Company	Freehold 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 March 2008	28.6	13.7	375.1	196.4	216.5	830.3
Additions	0.1	28.7	23.6	-	6.3	58.7
Disposals	-	(0.7)	(28.8)	(14.8)	(2.5)	(46.8)
Reclassifications	1.0	(21.0)	-	7.7	12.3	-
At 28 February 2009	29.7	20.7	369.9	189.3	232.6	842.2
Depreciation						
At 1 March 2008	1.0	-	184.3	128.9	160.1	474.3
Charge for the year	0.5	-	16.5	22.4	18.9	58.3
Disposals	-	-	(17.4)	(14.8)	(1.5)	(33.7)
At 28 February 2009	1.5	-	183.4	136.5	177.5	498.9
Net book value						
At 28 February 2009	28.2	20.7	186.5	52.8	55.1	343.3
At 29 February 2008	27.6	13.7	190.8	67.5	56.4	356.0

Included in aircraft, rotatable spares and ancillary equipment are progress payments of £18.5m (2008: £19.9m).

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

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Net book value				
Aircraft, rotatable spares and ancillary equipment	17.5	1.5	17.5	1.5
Plant and machinery	0.6	0.6	0.6	0.6
Depreciation charged for the year				
Aircraft, rotatable spares and ancillary equipment	0.9	0.2	0.9	0.2
Plant and machinery	-	-	-	-

During the year, the Group entered into new finance lease and hire purchase contract arrangements in respect of tangible fixed assets for £16.9m (2008: £0.6m). These new finance leases are shown within Amounts owed to group undertakings (notes 14 and 15).

Notes (continued)

11 Fixed asset investments

Group and Company	Investments £m
Cost	
At 1 March 2008	15.3
Additions	1.4
At 28 February 2009	16.7
Net book value	
At 28 February 2009	16.7
At 29 February 2008	15.3

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

12 Stocks

Group and Company	2009 £m	2008 £m
Aircraft consumable spares	24.9	22.5
Finished goods and goods for resale	1.2	1.5
Fuel stocks	2.6	2.3
	28.7	26.3

13 Debtors

Amounts falling due within one year	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade debtors	120.4	109.0	120.4	109.0
Amounts owed by group undertakings	22.0	25.2	45.1	49.0
Other debtors	451.5	77.6	451.5	77.5
Group relief receivable	-	14.0	-	-
Prepayments and accrued income	42.5	37.2	42.5	37.3
	636.4	263.0	659.5	272.8

Included within other debtors due within one year is an amount of £403.0m (2008: £23.3m) relating to margin calls on open derivative positions.

Notes (continued)

13 Debtors (continued)

Amounts falling due after more than one year	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Amounts owed by group undertakings	18.8	-	18.8	-
Other debtors	48.5	38.3	44.7	35.6
Prepayments and accrued income	53.0	41.3	53.0	41.3
	<u>120.3</u>	<u>79.6</u>	<u>116.5</u>	<u>76.9</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Bank loans and overdrafts	20.7	9.6	20.7	9.6
Secured bank loans (note 15)	23.7	12.4	23.7	12.4
Unsecured bank loans	1.3	1.3	1.3	1.3
Obligations under finance leases and hire purchase contracts (note 20)	0.5	0.4	0.5	0.4
Trade creditors	46.5	56.1	46.5	56.1
Amounts owed to group undertakings	86.3	94.2	87.8	187.0
Group relief payable	0.7	-	22.1	1.0
Other taxes and social security	9.9	8.4	9.9	8.4
Other creditors	61.8	0.3	61.8	0.3
Accruals and deferred income	550.6	563.0	550.6	563.0
	<u>802.0</u>	<u>745.7</u>	<u>824.9</u>	<u>839.5</u>

Included within other creditors due within one year is an amount of £60.6m (2008: £nil) relating to margin calls on open derivative positions.

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Secured bank loans	44.5	68.3	44.5	68.3
Unsecured bank loans	1.3	2.6	1.3	2.6
Obligations under finance leases and hire purchase contracts (note 20)	1.6	1.6	1.6	1.6
Amounts owed to group undertakings	19.1	-	19.1	-
Accruals and deferred income	39.8	36.3	39.8	36.3
	<u>106.3</u>	<u>108.8</u>	<u>106.3</u>	<u>108.8</u>

The secured bank loans totalling £68.2m (2008: £80.7m) are secured by mortgages over certain aircraft. None (2008: £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 0.625% to 2.75 % above US\$ LIBOR.

Notes (continued)

16 Provisions for liabilities and charges

Group	Deferred tax £m	Maintenance £m	Onerous contracts £m	Leasehold dilapidation £m	Litigation £m	Total £m
Balance at 1 March 2008	148.3	72.3	0.7	1.8	29.3	252.4
Foreign exchange translation	-	15.2	-	-	5.7	20.9
Amounts provided / (released) in the year	(0.9)	58.6	2.2	-	(9.2)	50.7
Amounts utilised in the year	-	(30.2)	(0.2)	-	(3.4)	(33.8)
Unwinding of discount	-	-	-	0.2	-	0.2
Balance at 28 February 2009	147.4	115.9	2.7	2.0	22.4	290.4

Company	Deferred tax £m	Maintenance £m	Onerous contracts £m	Leasehold dilapidation £m	Litigation £m	Total £m
Balance at 1 March 2008	146.2	64.5	0.7	1.8	29.3	242.5
Foreign exchange translation	-	13.4	-	-	5.7	19.1
Amounts provided / (released) in the year	(2.7)	54.7	2.2	-	(9.2)	45.0
Amounts utilised in the year	-	(22.6)	(0.2)	-	(3.4)	(26.2)
Unwinding of discount	-	-	-	0.2	-	0.2
Balance at 28 February 2009	143.5	110.0	2.7	2.0	22.4	280.6

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

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

	Group		Company	
<i>The elements of the deferred tax provision are as follows:</i>	2009 £m	2008 £m	2009 £m	2008 £m
Accelerated capital allowances	149.8	151.2	143.5	145.6
Other timing differences	(2.4)	(2.9)	-	0.6
	147.4	148.3	143.5	146.2

Notes (continued)

17 Share capital

Company	2009	2008
	£m	£m
Authorised		
4,497,498 ordinary shares of £1 each	4.5	4.5
	<hr/>	<hr/>
Allotted, called up and fully paid		
4,497,498 ordinary shares of £1 each	4.5	4.5
	<hr/>	<hr/>

18 Reserves

Group	Profit and loss account £m	Share premium account £m	Capital contribution reserve £m
Balance at 1 March 2008	218.4	5.0	25.0
Profit for the financial year	36.0	-	-
	<hr/>	<hr/>	<hr/>
Balance at 28 February 2009	254.4	5.0	25.0
	<hr/>	<hr/>	<hr/>
Company	Profit and loss account £m	Share premium account £m	Capital contribution reserve £m
Balance at 1 March 2008	142.2	5.0	25.0
Profit for the financial year	115.1	-	-
	<hr/>	<hr/>	<hr/>
Balance at 28 February 2009	257.3	5.0	25.0
	<hr/>	<hr/>	<hr/>

19 Reconciliation of movements in shareholders' funds

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Profit for the year	36.0	16.4	115.1	11.6
Opening shareholders' funds	252.9	236.5	176.7	165.1
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	288.9	252.9	291.8	176.7
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

20 Leasing commitments

Group and Company

The capital element of the future minimum lease payments to which the Group is committed at 28 February 2009 under finance lease and hire purchase contract obligations incurred in the acquisition of aircraft, engines, spares and other equipment are as follows:

Amounts due within:	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
One year	0.5	0.4	0.5	0.4
Second to fifth year inclusive	1.0	1.0	1.0	1.0
Over five years	0.6	0.6	0.6	0.6
	<u>2.1</u>	<u>2.0</u>	<u>2.1</u>	<u>2.0</u>

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

As at 28 February 2009, the Group had annual commitments under non-cancellable operating leases as set out below:

Group	2009		2008	
	Land and buildings £m	Aircraft and other £m	Land and buildings £m	Aircraft and other £m
Operating leases which expire:				
Within one year	2.3	-	2.4	1.3
In the second to fifth year inclusive	12.2	130.8	5.9	58.2
Over five years	14.3	131.9	15.1	143.0
	<u>28.8</u>	<u>262.7</u>	<u>23.4</u>	<u>202.5</u>

Company	2009		2008	
	Land and buildings £m	Aircraft and other £m	Land and buildings £m	Aircraft and other £m
Operating leases which expire:				
Within one year	2.3	-	2.4	1.3
In the second to fifth year inclusive	12.2	131.4	5.9	58.6
Over five years	14.3	132.3	15.1	143.4
	<u>28.8</u>	<u>263.7</u>	<u>23.4</u>	<u>203.3</u>

Notes (continued)

21 Capital commitments

Group and Company	2009 £m	2008 £m
Capital commitments at the balance sheet date for which no provision has been made:	<u>2,397.2</u>	<u>1,722.1</u>

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

22 Subsidiary undertakings

The subsidiaries of the Company as at 28 February 2009 were:

	Country of incorporation or registration	% Ordinary issued shares	Principal activity
Principal subsidiaries			
Virgair Limited	England and Wales	100	Leasing of aircraft
Greenart Limited	England and Wales	100	Non-trading
VA Cargo Limited	England and Wales	100	Non-trading
Virgin Atlantic Engineering Limited	England and Wales	100	Non-trading
Virgin Atlantic Consolidated Limited	England and Wales	100	Dormant
Virgin Airways Limited	England and Wales	100	Dormant

The proportion of voting rights held by the Group in each of its 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.

23 Contingent liabilities

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

The Company and certain subsidiary companies had contingent liabilities at 28 February 2009 in respect of indemnities under certain financing and other arrangements which are partly secured by charges over designated short term deposits of £11.1m (2008: £11.0m), of which £9.5m (2008: £9.9m) is matched by a liability under the maintenance provision and accruals.

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.

Notes (continued)

24 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 2009 (2008: £nil).

25 Related party transactions

As at 28 February 2009, the Company's ultimate parent company was Virgin Group Holdings Limited, whose principal shareholders are certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and 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 that are required to be disclosed by Financial Reporting Standard 8:

Year Ended 28 February 2009

	Revenue £m	Purchases £m	Balances due to the Group £m	Balances due from the Group £m
Companies related by virtue of common control or ownership:				
Virgin Management Limited	0.1	0.8	0.1	-
Virgin Money Limited	6.8	-	0.2	-
Virgin Money (Australia) Pty Limited	-	0.1	-	-
Virgin Hotels Limited	0.1	-	-	-
Virgin Galactic Limited	0.3	-	-	-
Virgin Blue Airlines Pty Limited	0.1	-	-	-
Virgin America Inc.	0.2	-	-	-
Companies related by virtue of being an investor in the Group:				
Singapore Airlines Limited	0.1	-	-	-

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.

26 Ultimate holding company

As at 28 February 2009, the directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands.

As at 28 February 2009, 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.

As at 28 February 2009, the smallest group in which the results of the Company are consolidated is that headed by Virgin Atlantic 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.